

2010-11 – 3rd QUARTER STATUS REPORT – Sr. Investment Officer, Global Equity (E. Baggesen)

Page 1 of 2

Quantitative Performance Measures

Total Fund

Weight	Performance Measure	Incentive Schedule	3 rd Quarter Status
40%	Excess return deviation in basis points relative to: Total Fund Performance Benchmark {SJ1CA1 – CPERST02}	-27 basis points = 0 +7 basis points = 1.0 +23 basis points = 1.5	+38 bps {18.62 – 18.24}

Total Global Equity Performance

Weight	Performance Measure	Incentive Schedule	3 rd Quarter Status
35%	Excess return deviation in basis points relative to: Global Equity Performance Benchmark {GLOBLIC – CPERSGE2}	-17 basis points = 0 +3 basis points = 1.0 +22 basis points = 1.5	+32 bps {31.15 – 30.83}

Qualitative Performance Measures *(All performance measures utilize standard Qualitative incentive schedule unless otherwise noted)*

Leadership

Weight	Performance Measure
15%	<ul style="list-style-type: none"> Investment Office Leadership and Management – By June 30, 2011, contribute to the value creation, capacity building, and organization support for the Investment Office by executing the following: <ul style="list-style-type: none"> Drive global leadership and financial market reform to improve investment performance and enhance delivery of services. Build organizational excellence by strengthening and reinforcing a value driven culture that fosters accountability, transparency, and integrity by utilizing Senn Delaney training and communication concepts. Mentor and develop staff through regular coaching and feedback. Ensure 95% completion rate for annual performance appraisals and employee development plans. Team Participation – Cross Asset Class Collaboration – By June 30, 2011, participate in and support cross asset class initiatives, such as the Investment Office Roadmap, Investment Strategy Group, Risk Management, and Governance initiatives to improve investment performance and processes. Individual Contributions – Asset Class Priorities – By June 30, 2011, implement asset class priorities which contribute to the success of your program by adopting innovative approaches and overcoming obstacles to improve investment performance and processes. Organizational Management Practices <ul style="list-style-type: none"> Maintain an average position vacancy rate of 5% or less through the fiscal year 2010-11. Ensure all Form 700 Statements of Economic Interest are filed by scheduled employees by the mandated due date of April 1, 2011. Ensure all scheduled employees complete the legally mandated AB 1234 ethics training by June 30, 2011. Maintain a 90% EPAD completion rate. Address and resolve all outstanding audit findings within 12 months of audit report. Dedicate 30 minutes per month for Employee Recognition during the year through fiscal year 2010-11.

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Page 2 of 2

3rd Quarter Status:

- Continued activity associated with the CalPERS wide “contract workout” process, specifically related to determining an alternative solicitation process for asset management services.
- All asset class Form 700 submissions completed on time.
- Continued deployment of capital in the Global Equity Synthetic strategy managed in partnership with the Fixed Income asset class.
- Global Equity sub-team participation in a wide variety of INVO initiatives and Rapid Results projects such as:
 - Custody RFP
 - IESG Project
 - Opportunistic / Strategic Partnership Project
 - Investment Office Operating Committee
 - Investment Risk Management Steering Committee
 - United Health Director Search
- Timely completion of EPAD activity
- Launch of the Diverse Director Datasource

Global Equity Performance Priorities

Weight	Performance Measure
10%	<p>Support of the continuing restructure of the methods and process used to allocate capital more effectively within Global Equity by completing work within one or more of the categories below:</p> <ul style="list-style-type: none"> • The “Internal Equity Portfolio Construction” project. • Functionalization/organization of the work performed within the external strategy area: <ul style="list-style-type: none"> ○ Information management process to utilize the data entering from the “Investment Proposal Intake” system ○ Monitoring ○ Due diligence ○ Contracting ○ Communication • Construction of an improved communication model for all constituent audiences. • Capital allocation optimizer. • Identification and utilization of a “knowledge management” system. • The data movement to and from the external “manager skill assessment process”.

3rd Quarter Status:

- Establishment of the Global Equity Capital Allocation Committee.
- Progress on the Public Markets Portfolio Management project with Blackrock.
- Significant improvement in terms and cost savings within Corporate Governance manager group.
- Obtained clarity on process to be used in contracting with asset management service providers (contract workout).
- Merger of Global Equity functionalization tasks with Target Operating Model tasks.
- Review of functionalized duty statements with CalPERS Human Resources team.
- Approaching clarity on separation of RMARS from Global Equity.
- Completion of phase 3 of the capital allocation optimizer.
- Identification of basic “values” components to be incorporated into the manager skill assessment process being developed with Northfield Information.